

Acquisition in acrylics in China

Arkema joins forces with Jurong Chemical



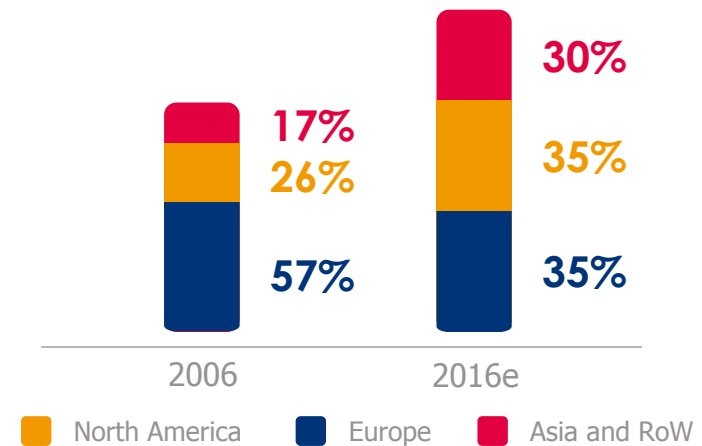


# Executive summary

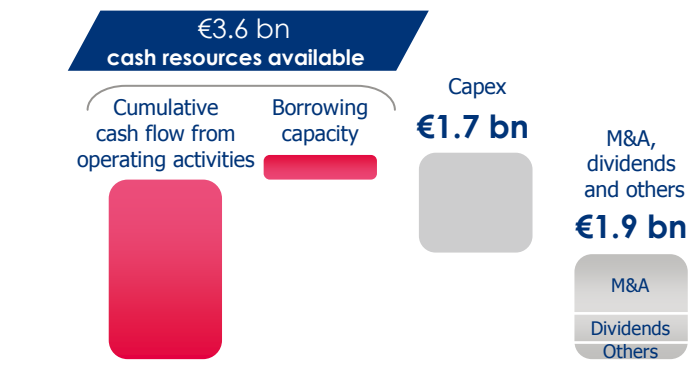
# Reminder of Arkema's mid-term growth strategy (2016 Ambition presented at 2012 Investor Day)

- **Broaden reach in higher growth countries with a balanced geographical presence between Europe, North America and Asia/rest of the world**
- **Implement balanced growth strategy between organic developments and acquisitions**
- **Support the development of acrylic downstream**
  - Secure access to competitive monomer sources in fast-growing Asia
  - Bolt-on acquisitions in acrylic downstream and long-term partnerships with leaders
- **Accelerate expansion in High Performance Materials through innovation in sustainability and focused acquisitions**

Sales by region



Cash allocation over 2013-2016





# Highlights of the planned acquisition

## Creation of Sunke, an acrylic acid manufacturing JV in partnership with Jurong Chemical, the leader in acrylic monomers in China

- Strong relationship established with Sun Liping, talented entrepreneur and founder of Jurong Chemical
- JV includes the Taixing high quality world-scale acrylic monomer assets started in 2012
- Majority share owned by Arkema

## Transaction highlights

- 1<sup>st</sup> step (summer 2014) : access 160 kt/year acrylic acid for US\$ 240m
- Option to increase quickly to 320 kt/year acrylic acid for additional US\$ 235m (beginning 2015)
- Additional option within 5 years to acquire full production capacity (480 kt/year) for US\$ 165m

## Key figures

- ~ US\$ 600m expected FY sales contribution with 320 kt/year
- EBITDA margin expected to be in line with Arkema's mid-term targets
- Relative from 1<sup>st</sup> full year
- Current financing resources sufficient to cover the deal



# Benefits of the project: a unique opportunity

## ➤ Compare favorably versus grass roots option

- Reduced risks, lower costs and immediate access to competitive acrylic monomer sources
- Planned acquisition will replace the capex previously scheduled in the 2017-2020 period

## ➤ Capture strong growth in acrylics in Asia (+7 to 8%/year) and support the development of:

- Global and local customers on attractive end-markets (superabsorbents, paints and coatings, adhesives, water treatment, etc.)
- Arkema's acrylic downstream businesses in the region: recent expansion of Sartomer in Guangzhou and start-ups of Coatex and Coating Resins in Changshu

## ➤ Well on track to achieve 2016 target of 30% of Arkema's sales in "emerging countries". Other ongoing projects in the region:

- Construction of Thiochemicals platform in Malaysia
- Expansion in Organic Peroxides in China and Middle East
- Ramp up of Hipro Polymers in China

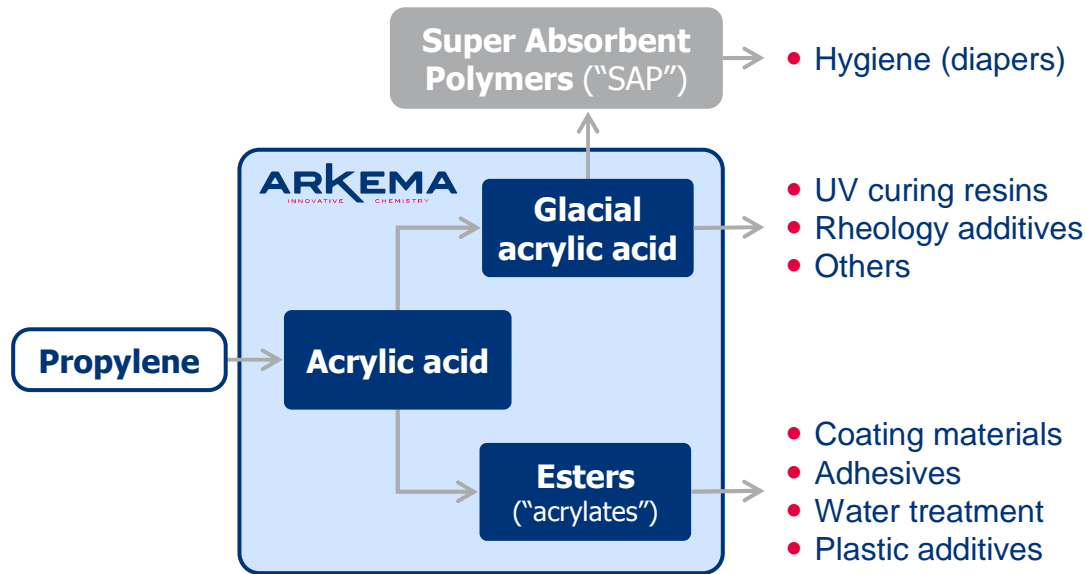
## ➤ Deliver solid contribution to Group's performance based on cautious assessment of acrylic acid supply/demand balance by Arkema

## ➤ Maintain financial flexibility to continue to develop High Performance Materials segment

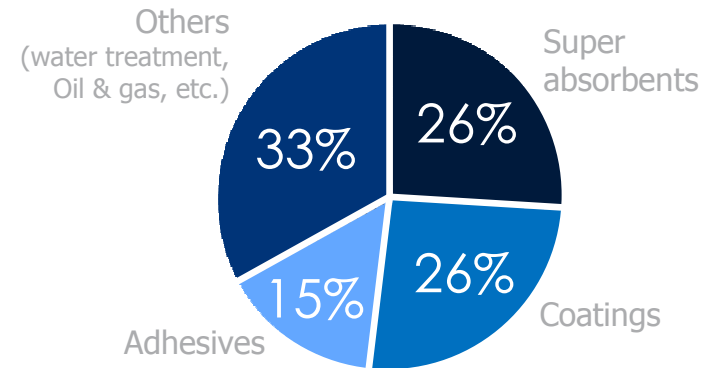


# Project highlights

# Attractive worldwide acrylic acid market



## Demand by end markets



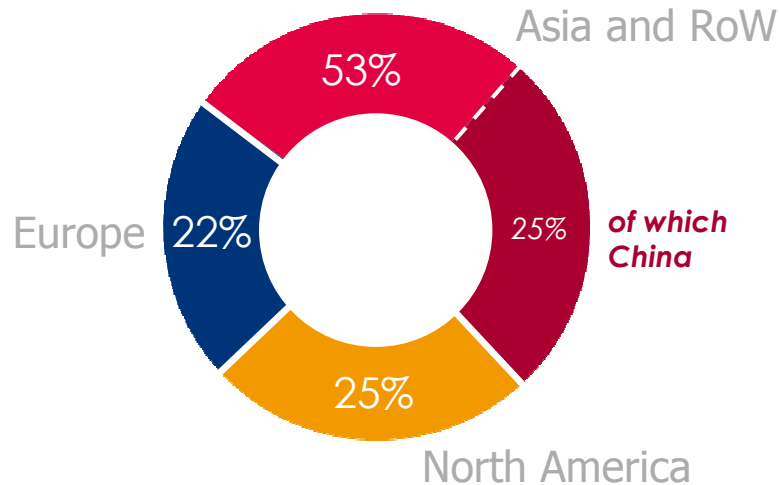
Expected growth  
**4 to 5% /year**

## Key growth drivers

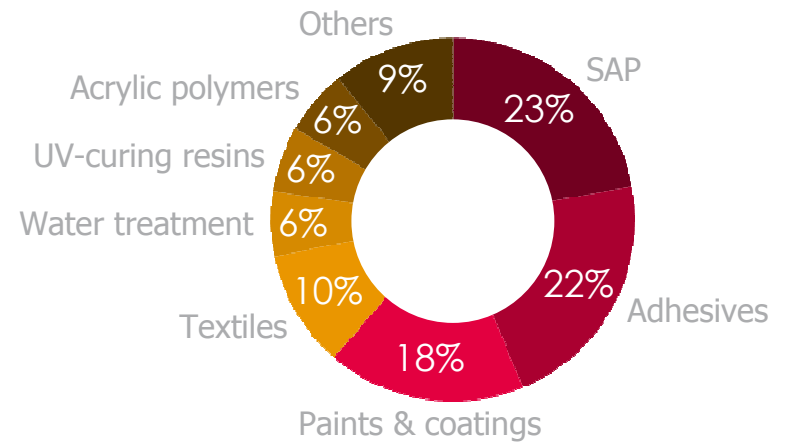
- Superabsorbents: baby diapers in Asia, ageing population in mature markets
- Water treatment: access to drinkable water and treatment of effluents
- Oil & Gas: enhanced recovery of oil
- Coatings: low VOC products, high growth countries, expected rebound in housing in North America

# Asia: 50% of worldwide acrylic acid market

**Global acrylic acid market: 4.8 mt**  
(2013e consumption\*)



**Chinese acrylic acid market: 1.2 mt**  
(2013e consumption\*)



## Key growth drivers of Chinese market

- Double digit growth in SAP
  - Strong baby diaper market growth supported by increasing standard of living
- Water treatment, UV-curing resins, acrylic polymers
  - Higher value niche markets with high growth rate (~10% /year)
- Paints & coatings and adhesives
  - In line with GDP growth

Expected growth  
**7 to 8% /year**



# Description of Sunke's assets

- **Jurong: #1 acrylic acid producer in China / #5 worldwide**
- **Sunke assets (Taixing site)**



- Modern and competitive site started in 2012
- 400 well-trained employees
- Existing 2 lines of 160 kt/year acrylic acid
- Site's competitiveness to be further reinforced with the 3<sup>rd</sup> acrylic acid line (160 kt/year) currently under construction expected to start-up beginning 2015\*

# An excellent location

## 200 km north west from Shanghai

- In the Jiangsu province
- On the Yangtze river
- Industrial area with several international chemical players

## Well positioned platform

- Competitive access to raw materials (propylene, oxo-alcohols) through Yangtze river
- Good logistics to local and regional customers
- Proximity to other Arkema sites



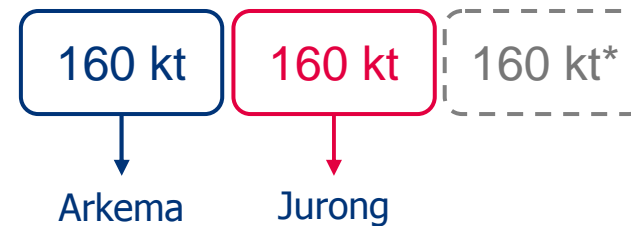
# Structure of the transaction

## Creation of a production JV (« Sunke ») between Arkema and Jurong

- Arkema has a majority stake in the production JV

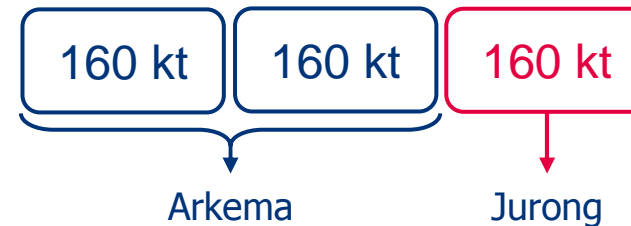
## 2014

- Arkema's cash out: US\$ 240m
- Expected closing in summer 2014 subject to:
  - Approval by antitrust and administrative authorities in China
  - Completion of some administrative steps



## After start up of 3<sup>rd</sup> line

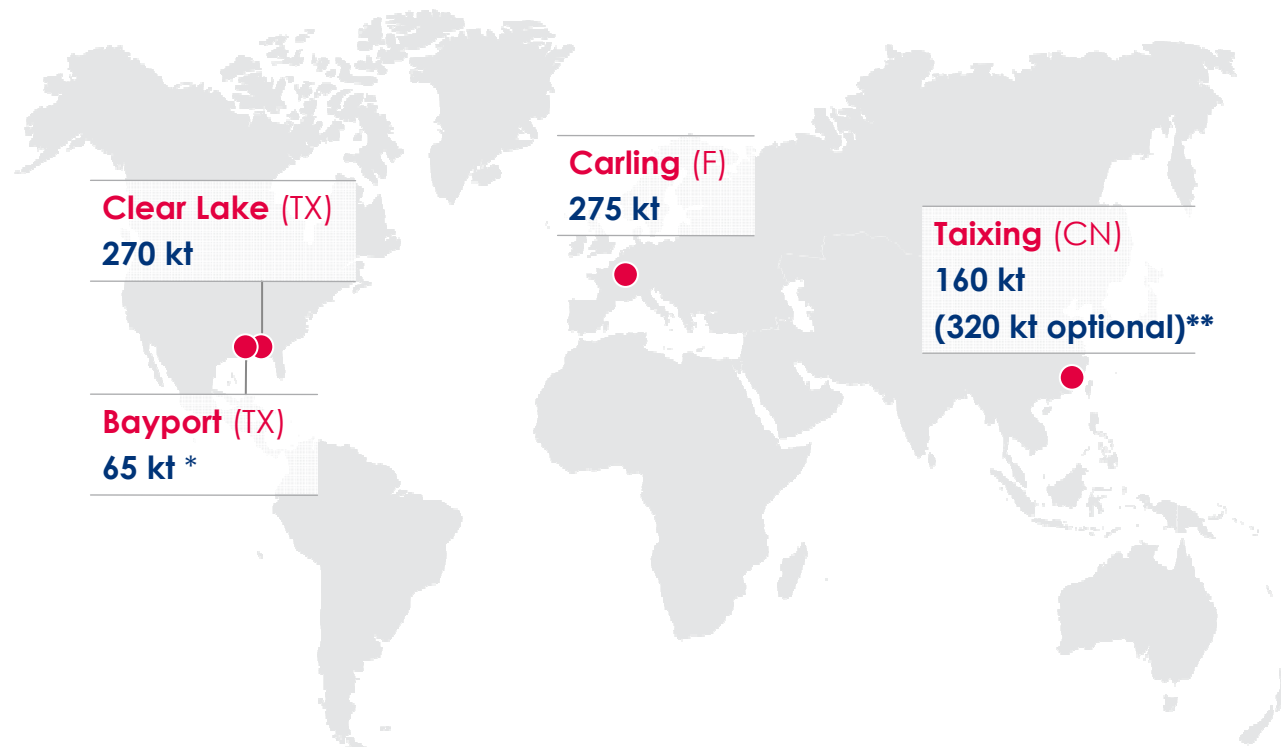
- Probably beginning 2015
- Option for Arkema to acquire a 2<sup>nd</sup> line
- Cash out for Arkema: US\$ 235m



## 2<sup>nd</sup> option (within 5 years) to acquire Jurong's remaining share for US\$ 165m

# Strengthening Arkema's worldwide position in acrylic monomers

- **Becoming #3 worldwide and among the leaders in China**
- **Global and balanced presence with world scale units in each region**





# Key milestone in Coating Solutions development



# Arkema's strategy in Coating Solutions

## ➤ **Secure competitive and world-scale acrylic monomer production base in each region**

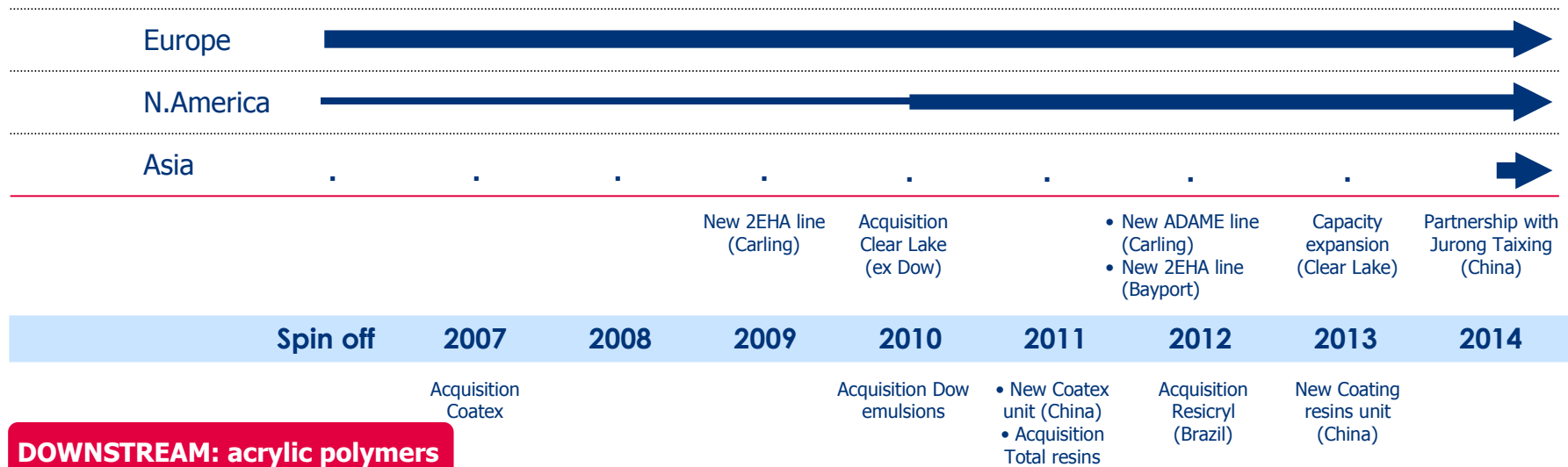
- Solid European foothold supported by past optimization of Carling (France)
- US\$ 110 m investment program to expand and optimize Clear Lake (US) finalized beginning of 2014
- Acquisition of Jurong Taixing assets

## ➤ **Strengthen downstream integration and development of specialty acrylic polymers**

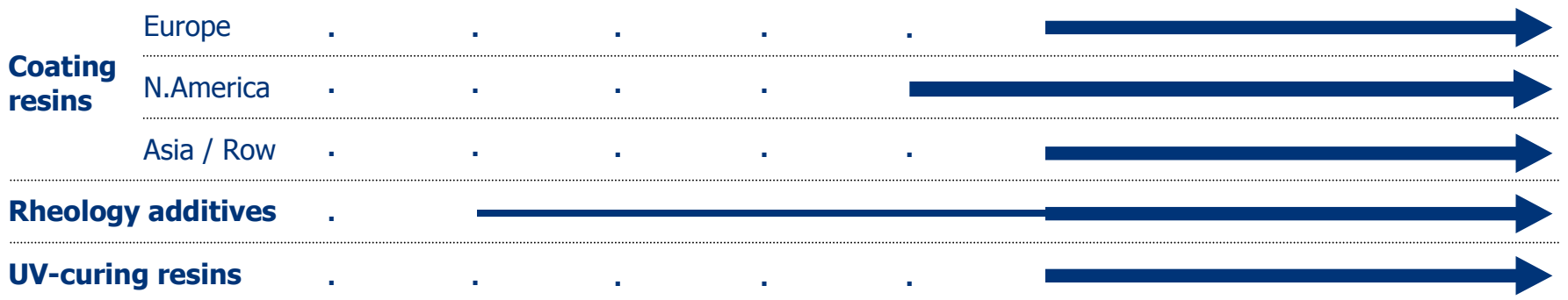
- Organic growth developments in higher growth countries
- Long-term partnerships with global leading customers
- Bolt-on acquisitions
- New product developments and strong focus on innovation and sustainability

# Step by step development of acrylic chain

## UPSTREAM: acrylic monomers



## DOWNSTREAM: acrylic polymers





# Coating Solutions in Asia







# Disclaimer

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Financial information for 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006 and 2005 is extracted from the consolidated financial statements of Arkema. Quarterly financial information is not audited.

The business segment information is presented in accordance with Arkema's internal reporting system used by the management.

The definition of the main performance indicators used can be found in the reference document filed with the French Autorité des Marchés Financiers and available on [www.finance.arkema.com](http://www.finance.arkema.com)